

**Affiliate Rules Compliance Audit of
Horizon West Transmission, LLC**

FINAL REPORT

4/27/2021

Confidential



Vantage Energy Consulting, LLC

Management Consulting and Energy Services

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I. EXECUTIVE SUMMARY

A. BACKGROUND

As stated in the Affiliate Transaction Rules Compliance Plan of December 11, 2020, Horizon West Transmission, LLC (U222-E) (“HWT” or “Company”) owns and operates certain high-voltage electric transmission facilities in California pursuant to a certificate of public convenience and necessity (“CPCN”) issued by the California Public Utilities Commission (“CPUC” or “Commission”), Decision (D.) 18-09-030. Accordingly, HWT is subject to the Commission’s Affiliate Transaction Rules (“Rules” or “ATR”) and must file a plan and undergo regular audits. HWT’s parent company is NextEra Energy Transmission, LLC (“NEET”) and its ultimate parent is NextEra Energy, Inc. (“NextEra”), a utility holding company based in Juno Beach, Florida.

The HWT Compliance Plan (“Compliance Plan”) describes actions that HWT takes to comply with the Rules, including responsibilities and detailed methods for compliance. The purpose of the Compliance Plan is to facilitate HWT’s implementation of the Rules and to ensure compliance with the Rules in order to ensure the avoidance of potential market-power abuses and cross-subsidization between regulated and unregulated activities through a culture of compliance that includes:

- A plan that incorporates the Rules and sets out how HWT and, to the extent applicable, NextEra Business Units can ensure sustainable compliance with the Rules; and
- Compliance tools for documenting requirements, assessing compliance with the Rules, and reporting as needed.

In this audit, Vantage Energy Consulting, LLC (“Vantage”) addresses the Rules being applied to transactions between HWT and affiliates engaging in the provision of a product¹ that uses electricity or the provision of services that relate to the use of electricity.

Vantage’s overall conclusion is that Horizon West has prepared a well-written compliance plan and that Horizon West meets all of the requirements required by the CPUC.

The Rules also apply to transactions between a Commission-regulated utility and another affiliated utility, unless specifically modified by the Commission. HWT is affiliated with Trans Bay Cable LLC (“Trans Bay” or “TBC”). This audit will confirm that HWT monitors for the creation of new affiliates that meet either of these categories and updates the list in Attachment A by filing an advice letter with the Commission, as required in Rule VI.B, described below in Section 7.

¹ A list of TBC’s affiliates with which TBC shares resources or transacts, as well as those NextEra affiliates within California that meet the definition of a “Rule II.B. affiliate,” is included as Attachment A to the Compliance Plan.



The purpose of this audit of this Compliance Plan is to ensure HWT's compliance with the current Rules. As clearly stated in the plan, it does not address Federal Energy Regulatory Commission ("FERC") Standards of Conduct, North American Electric Reliability Corporation ("NERC") Reliability Standards, California Independent System Operator Corporation ("CAISO") requirements or with orders and rules of FERC or the Commission unrelated to the Rules.

The Commission, as part of the deregulation of utility service beginning in the late 1980s, gave IOUs the authority to reorganize under a holding company structure with a parent company and subsidiaries. In order to mitigate concerns that under deregulation, there was potential for preferential treatment and cross-subsidization by the IOUs in favor of their nonregulated affiliates. Accordingly, the Commission adopted the ATRs in 1993 and has revised them periodically in response to new or revised legislation.

Notably, in response to the Energy Policy Act of 2005 which repealed the Public Utility Holding Company Act of 1935, the Commission issued Decision 06-12-029 in Rulemaking 05-10-030. After reviewing existing regulations, the Commission revised the ATRs to improve internal consistency and delete outdated provisions that concerned the original compliance of IOUs with the ATRs. Due to the issuance of the aforementioned D. 18-09-030, the ATRs are applicable to the Company for this audit of Calendar Year 2020.

HWT, formerly known as NextEra Energy Transmission West, LLC ("NEET West"), is a subsidiary of NEET, a leading North American transmission company. Founded in 2014, HWT is a certificated California utility (U222-E) and is the designated developer for two projects in California. HWT is the first non-incumbent to be awarded competitive transmission projects in California. Further, HWT is a participating transmission owner in CAISO and operates under a FERC-jurisdictional tariff.

In 2015, CAISO selected HWT as the Approved Project Sponsor to permit, construct, own, operate, and maintain the Suncrest SVC Project.² In October 2018, the Commission approved the CPCN for HWT to build, own, operate and maintain the Suncrest SVC Project, its first project, which also established HWT as a regulated public utility in the state of California. On February 27, 2020, FERC issued an order³ in Docket No. ER20-692-000 accepting CAISO tariff revisions and granting certain waivers regarding the Suncrest SVC Project, and it was put into service on February 29, 2020.

² The Suncrest 230 kV 300 MVar Dynamic Reactive Power Support Project is located 30 miles east of San Diego, California. It is designed to handle fast, reactive power for high-voltage transmission, including a one-mile underground 230 kV transmission line to interconnect with the existing Suncrest substation, which is owned and operated by San Diego Gas & Electric Company.

³ See *Order Accepting Proposed Tariff Revisions and Granting Waiver Request*, 170 FERC ¶ 61,115 (2020).



In March 2015, the CAISO selected HWT as the Approved Project Sponsor to permit, construct, own, operate, and maintain the Estrella Substation Project⁴. In January 2017, HWT and Pacific Gas and Electric jointly filed the Proponents Environmental Assessment (“PEA”) with the Commission. On July 24, 2017, the Commission deemed the PEA complete, and on December 8, 2020, the Commission’s Energy Division Staff published the Draft Environmental Impact Report for the Estrella project.

B. REPORT ORGANIZATION

The layout for the report is as follows.

Chapter I – Executive Summary

Chapter II –Section 4 - Non-Discrimination

Chapter III –Section 5 - Disclosure and Information

Chapter IV – Section 6 - Separation of Trans Bay from its Affiliates

Chapter V – Section 7 - Regulatory Oversight

Chapter VI - Section 8 - Utility Product and Services

Chapter VII – Section 9 - Complaint Procedures and Remedies

C. SUMMARY OF RECOMMENDATIONS

After an in-depth review of the process, as well as a review of selected transactions, Vantage concluded that Horizon West had prepared a well-written compliance plan and appears to be meeting all its requirements. Details on our analysis follows this conclusion. A summary of recommendations we are making to enhance the process are included below.

IV-R1 Post the FERC Form 1 for 2021 as soon as it is filed with FERC as per the Compliance Plan. (Priority: Low)

The FERC Form 1 contains information on affiliate transactions. In addition to filing with FERC, it is to be posted electronically by HWT on its public website at (<http://www.horizonwesttransmission.com/>). A copy is also to be made available to

⁴ The 230/70kV Estrella Substation Project is located approximately 5 miles east of Paso Robles, California. The project will help ensure safe, reliable power to the local electric system and will: (1) provide the Paso Robles Substation with more reinforced 70kV sources from Templeton and Estrella; (2) mitigate thermal and voltage concerns which will improve service reliability for electric customers in Paso Robles, San Miguel, Templeton, Creston, Atascadero, and Santa Margarita; (3) position the region to meet expected growth in energy demand through investment in new electricity infrastructure; and (4) increase the potential to integrate and deliver renewable energy to support California's renewable energy goals meet the CAISO’s project need in a cost-effective manner.



Commission Energy Division Staff and California Public Advocates once it is filed with FERC.

This recommendation will follow through to any subsequent affiliate audits for verification.

IV-R2 Track any changes to the plan in a separate document for use by auditors and CPUC staff in the future. (Priority: Medium)

While this was the first audit for Horizon West, in the future, auditors will need to know what changes were made and the support or rationale for those changes. A memo that is made available to auditors or staff that describes the changes as well as the support for those changes will facilitate review.



II. TASK 1 – SECTION 4 NON-DISCRIMINATION

PROCEDURAL BACKGROUND

This chapter addresses:

- III.A. No Preferential Treatment Regarding Services Provided by the Company
- III.B. Affiliate Transactions
- III.C. Tying of Services Provided by a Utility Prohibited
- III.D. No Assignment of Customers
- III.E. Business Development and Customer Relations
- III.F. Affiliate Discount Reports

Vantage’s first activity on this task was to develop a set of evaluative standards for which performance could be measured against.

Evaluative Standards

- The Company shall not represent, that as a result of the affiliation with the utility, its affiliates, or customers of its affiliates, will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers.
- The Company shall not provide its affiliates, or customers of its affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided.
- The Company transactions with affiliates shall be limited to tariffed products and services, which are made available to all market participants through an open, competitive bidding process.
- The Company shall ensure that when discounts or waivers for transactions are provided to affiliates, the discount or waiver will be contemporaneously provided to all other market participants.
- The Company shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.
- The Company shall not condition or otherwise tie the provision of any services provided by neither the utility, nor the availability of discounts or waivers, to the taking of any goods or services from its affiliates.
- The Company shall not:
 - provide leads to its affiliates;
 - solicit business on behalf of affiliates;
 - acquire information on behalf of, or provide to, its affiliates;
 - share market analysis reports or any types of proprietary or non-publicly available reports with its affiliates;
 - request authorization from its customers to pass on customer information exclusively to its affiliates;



- give any appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates;
- give any appearance that the affiliate speaks on behalf of the utility.
- The Company shall maintain reports regarding discount, rebate, or other waiver of any charge or fee associated with services provided by the utility, and within 24 hours of the time of the service, post a notice on its electronic bulletin board providing the following information:
 - the name of the affiliate involved in the transaction;
 - the rate charged;
 - the maximum rate;
 - the time period for which the discount or waiver applies;
 - the quantities involved in the transaction;
 - the delivery points involved in the transaction;
 - any conditions or requirements applicable to the discount or waiver and documentation of the cost differential underlying the discount;
 - procedures by which a non-affiliated entity may request a comparable offer.
- The Company shall maintain a report for each billing period when providing an affiliate, a discounted rate which contains the following information:
 - the name of the entity being provided services provided by the utility in the transaction;
 - the affiliate's role in the transaction;
 - the duration of the discount or waiver;
 - the maximum rate;
 - the rate or fee actually charged during the billing period;
 - the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.
- The Company shall maintain all records pursuant to affiliate discount reports in conformance to FERC rules.

FINDINGS AND CONCLUSIONS

IV-F1 The majority of the provisions of ATR Section 4- Non-Discrimination do not apply to HWT.

As we discuss throughout this report, HWT represents a different utility structure and provision of electric service than that normally found in affiliate transaction reviews of California utilities for which the rules were originally intended. This is succinctly explained in the HWT Compliance Plan.

“As a transmission-only utility that provides transmission service only through the California Independent System Operator Corp. (“CAISO”), HWT provides wholesale transmission service exclusively through its FERC-approved Transmission Owner Tariff, which is posted publicly and available through the FERC e-tariff website (<https://www.ferc.gov/docs-filing/etariff.asp>). HWT's rates for wholesale transmission



service are regulated exclusively by FERC and charged through the CAISO Transmission Access Charge. HWT implements its tariff and rates in a non-discriminatory fashion.⁵

Despite this, Vantage still investigated HWT affiliate transactions to insure that indeed, all ATRs that did apply had been reviewed and a plan implemented for compliance.

IV-F2 HWT does obtain certain support services from affiliates.

For these services, HWT maintains affiliate support services agreements.⁶ These agreements identify the range of products and services related to corporate governance and support that can be shared.⁷ This information is available publicly as described in the updated affiliate transaction plan.

Pursuant to D.18-09-030, HWT will provide information regarding its affiliate transactions through its FERC Form 1, a copy of which will be made available to Commission Energy Division Staff and California Public Advocates once it is filed with FERC. HWT will also post a copy of its FERC Form 1 on its public website (<http://www.horizonwesttransmission.com/>).⁸

IV-F3 Vantage was unable to confirm the information provided in the annual FERC Form 1 due to a delay in filing the 2021 report.

On April 15, 2021, HWT requested an extension to May 3, 2021 for filing of its 2021 Annual FERC Form 1. The reasoning provided in the extension request letter is as follows:

Pursuant to 18 C.F.R. §§ 385.212 and 385.2008, Horizon West Transmission, LLC (“Horizon West”) respectfully requests a two-week extension of time (until May 3, 2021) to file its FERC Form No. 1, Annual Report of Major Electric Utilities, Licensees and Others. This extension is requested because this is Horizon West’s first submittal of the FERC Form No. 1, and its external auditor has additional procedures that must be followed for first time filers that may not be completed in time for the form’s April 19, 2021 due date.

May 3, 2021 places the delivery of the Form 1 beyond the due date for this report. As such, we make a recommendation concerning follow up such that future affiliate transaction reviews will flag the need to review the 2021 Form 1.

IV-F4 HWT does not offer discounts or preferential treatment to affiliates.

Given the structure of HWT, its services and its oversight, HWT has no opportunity to provide discounts or preferential treatment.

⁵ HWT Compliance Plan Section 4.2, Page 7

⁶ Audit Response 5

⁷ HWT Compliance Plan, Section 4.2, Page 8

⁸ HWT Compliance Plan, Section 4.2, Page 8



IV-F5 HWT provides an appropriate clarification to Rule 4.2.2.

For clarity, HWT also does not interpret “a transaction in which its affiliates are involved” as applying to vendor discounts passed through pro rata to affiliates in connection with joint purchases permissible under Rule V.D. or to shared corporate support services under Rule V.E., since such discounts are not associated with services provided by HWT and are not available to other market participants.⁹

IV-F6 Affiliate rules communication and training is handled appropriately.

HWT provides formal training on an annual basis through the Learning Management System (“LMS”).¹⁰ Training records are also kept in the LMS as well as a trigger such that all new hires to NEET receive the training. The training for NEET employees is renewed annually. Additionally, the list of individuals who have received California affiliate training is reviewed monthly to see if anyone needs to renew or take initial training. A quarterly notice is sent out to all NEET leaders to notify the Senior Compliance Analyst of any new employees or reassigned employees who work on HWT or TBC matters so that verification of training can be made.¹¹

HWT ensures compliance with the Rules through annual training that is provided to all NextEra employees.¹² All NEET employees and employees identified that support HWT and/or HWT complete the full California Affiliate Transactions rules training upon hire, upon transfer from another division at NextEra and annually thereafter. Additionally, all NextEra employees complete a combined training regarding the California Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements, within 30 days of employment and annually thereafter.¹³

IV-R1 Post the FERC Form 1 for 2021 as soon as it is filed with FERC as per the Compliance Plan. (Priority: Low)

The FERC Form 1 contains information on affiliate transactions. In addition to filing with FERC, it is to be posted electronically by HWT on its public website at (<http://www.horizonwesttransmission.com/>). A copy is also to be made available to Commission Energy Division Staff and California Public Advocates once it is filed with FERC.

This recommendation will follow through to any subsequent affiliate audits for verification.

⁹ HWT Compliance Plan, Section 4.2.2, Page 8

¹⁰ Audit Response 17

¹¹ Audit Response 18

¹² All NextEra employees, including HWT, complete a combined training program regarding the Rules, as well as the FERC Standards of Conduct and FERC Affiliate Requirements within 30 days of employment and annually thereafter. The CRO is responsible for administering the training to NextEra employees. Each employee has the responsibility to complete the required training on a timely basis.

¹³ Audit Response 18 and 19

IV-R2 Track any changes to the plan in a separate document for use by auditors and CPUC staff in the future. (Priority: Medium)

While this was the first audit, in the future, auditors will need to know what changes were made and the support or rationale for those changes. A memo that is made available to auditors or staff that describes the changes as well as the support for those changes will facilitate review.



III. TASK 2 – SECTION 5 DISCLOSURE AND INFORMATION

This task will review the rules prohibiting the disclosure of utility and utility customer information, with the exception of customer-specific information where the customer has consented to the disclosure. The Order Instituting Rulemaking (“OIR”)/Order Instituting Investigation (“OII”) also provides that the Rules should address whether the utilities should be prohibited from providing leads to marketing affiliates, and whether there should be a prohibition on affiliates trading upon, promoting, or advertising their affiliate utilities. This task will be reviewed from a number of subtasks including:

- IV.A. Customer Information
- IV.B. Non-Customer Service Non-Public Information
- IV.C. Service Provider Information
- IV.D. Supplier Information
- IV.E. Affiliate-Related Advice or Assistance
- IV.F Record-Keeping
- IV. G. Maintenance of Affiliate Contracts and Related Bids
- IV.H. FERC Reporting Requirements

Evaluative Standards

- The Company shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.
- The Company shall make non-customer specific non-public information available to the utility’s affiliates, only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions. It must also keep the information open to public inspection.
- Service provider information should be updated and distributed based on established procedures to any parties in need of it.
- The Company shall provide a list of all providers of electricity-related, or other utility-related goods and services operating in its service territory upon customer request.
- The Company shall not provide its customers with any list of service providers, which includes or identifies the utility’s affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.
- The Company may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier.
- The Company shall not offer or provide customer’s advice or assistance with regard to its affiliates or other service providers.
- The Company shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff of contract provisions and all discounts.



- Tariffed and non-tariffed transactions shall be made available for third-party review within 72 hours' notice and be maintained for a minimum of three years.
- The Company shall maintain a record of all contracts and related bids for the provision of work, products or services to and from the utility to its affiliates for no less than a period of three years, or longer if another government agency requires.
- The Company shall comply with all FERC rules regarding disclosure of information.

FINDINGS AND CONCLUSIONS

III-F1 Service provider information is provided only to CAISO and only where it is relevant.¹⁴

The Company provides operational data only to CAISO.

III-F2 HWT has procedures and processes in place to comply with Rule IV.

Even though situations where Rule IV would apply are rare, HWT does have procedures within their Compliance Plan to cover the unlikely occurrences. Some examples include:

Addressing Rule IV.A. Customer Information

Prior to releasing any customer information to any person or entity other than the customer, HWT will obtain the customer's prior written consent for the release of customer information, which shall be approved by the NEET Director of Business Management (or staff). HWT may provide customer information without obtaining the customer's prior written consent in the following circumstances:

- When information is provided to the customer via telephone (after appropriate authentication) and the customer allows a third party to listen to the information provided;
- To assist emergency responders when there is an immediate threat to life or property;

HWT will post on its website any transactions where customer information was released to an affiliate. These postings will not include customer-specific information or identification.¹⁵

Addressing Rule IV.B. Non-Customer Specific Non-Public Information

HWT is also permitted to exchange confidential or proprietary information on an exclusive basis with its affiliates, as necessary to exchange this information with respect to joint purchases, the provision of corporate support services, or shared

¹⁴ Audit Response 26

¹⁵ HWT Affiliate Rules Compliance Plan December 11, 2020 Pages11-12



employees permitted by these Rules. The plan also describes specific safeguards which apply to HWT confidential information.

HWT has safeguards to protect HWT confidential information. Specifically, HWT confidential information may be provided to HWT personnel or affiliate personnel performing joint purchasing services under Rule V.D., providing corporate support services permitted by Rule V.E, or shared employees permitted under Rule V.G. Any personnel who possess HWT confidential information have a duty of care to protect that confidential information from access by a Rule II.B affiliate personnel. When a situation arises in which HWT confidential information may be discussed (e.g., meetings, presentations, or e-mail), it is the responsibility of the person who possesses HWT confidential information to ensure that the information is not being shared with a person that is restricted from receiving HWT confidential information.

If there is any question whether another individual is eligible to receive HWT confidential information, prior to sharing any HWT confidential information (unless during a system emergency), the person who possesses the HWT confidential information shall contact the NEET Director of Business Management, who, in consultation with General Counsel or Compliance and Responsibility Organization (“CRO”) if warranted, will then either confirm or deny the request to share the confidential information. If confidential information is shared during a system emergency, as soon as reasonably practicable the NEET Director of Business Management must be notified:

- To respond to a warrant or court or law enforcement order, or an order of a regulatory authority with appropriate jurisdiction, such as the Commission or FERC; or
- As otherwise required by state or federal law or regulation.

Addressing Rule IV.D. Supplier Information

HWT may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if HWT first obtains written affirmative authorization to do so from the supplier. HWT shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.

HWT does not interpret this Rule to apply to information about suppliers with whom affiliates may jointly purchase goods and services with HWT under Rule V.D.¹⁶

¹⁶ HWT Affiliate Rules Compliance Plan December 11, 2020 Page 13.



IV. TASK 3 – SECTION 6 SEPARATION OF HORIZON WEST FROM ITS AFFILIATES

A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the Rules to address separation standards. The Rules should provide for the Company's and the affiliates' operations to be separate to prevent cross-subsidization of the marketing affiliate by the utility customers. The Rules should require the Company and the affiliate to maintain separate books of accounts and records. The following subtasks will be reviewed to ensure compliance with the separation requirements:

- V.A. Corporate Entities
- V.B. Books and Records
- V.C. Sharing of Plant, Facilities, Equipment or Costs
- V.D. Joint Purchases
- V.E. Corporate Support
- V.F. Corporate Identification and Advertising
- V.G. Employees
- V.H. Transfer of Goods and Services

Evaluative Standards

- The Company and its affiliates shall be separate corporate entities.
- The Company and its affiliates shall keep separate books and records in accordance with applicable Uniform System of Accounts and Generally Accepted Accounting Procedures.
- The Company affiliate books and records shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314.
- The Company shall not share office space, office equipment, services, and systems with its affiliates.
- The Company shall not access the computer or information systems of its affiliates.
- The Company shall not make joint purchases of goods and services associated with the traditional utility merchant function.
- Joint purchases must be priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of the purchases in accordance with Commission allocation and reporting rules.
- The Company shall price, report, and conduct corporate support services joint utilization in accordance with the Separation and Information Standards, as well as other applicable Commission pricing and reporting requirements.
- The Company shall not trade upon, promote, or advertise its affiliation with the affiliate, nor allow the utility name or logo to be used by the affiliate.
- The Company shall not provide its affiliates any different treatment than any other service provider.



- The Company shall not offer or provide affiliates advertising space in utility billing envelopes unless it provides access to all other unaffiliated service providers on the same terms and conditions.
- The Company shall not participate in joint advertising or joint marketing with its affiliates, including but not limited to sales, communication with potential customers, trade shows, conferences, etc.
- The Company shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.
- The Company and its affiliates shall not jointly employ the same employees unless allowed within the corporate support rules of Decision 97-12-088.
- The Company shall verify in their compliance plan that specific mechanisms and procedures are in place to ensure that shared officers and directors are not used as a conduit to circumvent any of the rules of Decision 97-12-088.
- The Company shall track and report to the Commission all employee movement between the utility and affiliates.
- The Company employees who become employees of the affiliate may not return to the utility for a period of one year.
- The Company shall receive a one-time payment for employees transferred, assigned, or otherwise employed by the affiliate in the amount of 25% of the employee's base annual compensation.
- The Company shall account for transfer fees on an annual basis in a separate memorandum tracking account for future ratemaking treatment.
- The Company employees hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these rules.
- The Company shall not make temporary or intermittent assignments or rotations to its affiliates.
- Transfers of goods and services between the Company and its affiliates will be subject to the following pricing provisions:
 - Transfers from the Company to its affiliates of goods and services produced, purchased, or developed for sale on the open market will be priced at fair market value;
 - Transfers from an affiliate to the Company of goods and services produced, purchased, or developed for sale on the open market will be priced at no more than fair market value;
 - Goods and services regulated by state or federal agency will be deemed fair market value;
 - Goods and services produced, purchased or developed for sale on the open market by the Company will be provided to its affiliates and unaffiliated companies on a discriminatory basis;
 - Transfers from the Company to its affiliates of goods and services not produced, purchased, or developed for sale will be priced at fully loaded cost plus 5% of direct labor cost;



- Transfers from affiliates to the Company of goods and services not produced, purchased, or developed for sale will be priced at the lower of fully loaded cost or fair market value.

FINDINGS AND CONCLUSIONS

IV-F1 HWT is a separate corporate entity as required under Affiliate Rules V.

Horizon West Transmission, LLC was formulated on March 11, 2019 in the State of Delaware with an amendment to the original Certificate of Formation, which was listed as NextEra Energy Transmission West, LLC.¹⁷

HWT maintains separate books and records including standalone financial statements. Further:

HWT's books and records are kept in accordance with applicable Uniform System of Accounts ("USOA") and Generally Accepted Accounting Procedures ("GAAP"). The books and records include all transactions with HWT's affiliates, whether they involve direct or indirect expenses.¹⁸

The plan calls for books and records of affiliates to be open for examination by the Commission and its staff consistent with the provisions of PU Code Section 314. PU Code Section 314 states that this shall be:

(a) The commission, each commissioner, and each officer and person employed by the commission may, at any time, inspect the accounts, books, papers, and documents of any public utility. The commission, each commissioner, and any officer of the commission or any employee authorized to administer oaths may examine under oath any officer, agent, or employee of a public utility in relation to its business and affairs. Any person, other than a commissioner or an officer of the commission, demanding to make any inspection shall produce, under the hand and seal of the commission, authorization to make the inspection. A written record of the testimony or statement so given under oath shall be made and filed with the commission.¹⁹

¹⁷ Horizon West Formulation documents in response to Audit Response 47

¹⁸ HWT Affiliate Transaction Rules Compliance Plan December 11, 2020, Section 6.2, Page 14

¹⁹ California Public Utilities Code



IV-F2 HWT has received an exemption from Rule V.C. allowing HWT to share office space, office equipment, services, systems, and computer and information systems with its affiliates.

The procedures in place to prevent impermissible sharing of HWT confidential information with affiliates are detailed in Section 6.3 of the Affiliate Transaction Rules Compliance Plan.

HWT ensures that this sharing does not result in impermissibly sharing HWT confidential information with affiliates that are restricted from having such information through the annual training that is provided to all NextEra employees and by limiting access to HWT confidential information only to affiliate employees that are assisting with joint purchases, are providing shared corporate support functions, or are shared employees, consistent with the Commission's D.18-09-030. To the extent that HWT shares office space with employees providing services to Rule II.B. Affiliates, appropriate physical access restrictions apply.

Operation and monitoring of HWT transmission system assets are performed from the Lone Star Transmission, LLC ("Lone Star Transmission") primary and backup control center facilities located in Austin, Texas. These primary and backup control centers are housed in separate buildings and are access-restricted through key card entry restrictions. Access to the Lone Star Transmission control center facilities is restricted only to employees that provide regulated transmission services and is not granted to employees that perform services for Rule II.B. Affiliates.

HWT shares information and technology systems with affiliates, and HWT considers that financial, accounting, and purchasing systems are included within sharable support systems. HWT prevents access by unauthorized users to HWT confidential information through the use of user IDs and passwords, and uses physical separation and separate information systems where computer security-based controls cannot effectively be established.



V. TASK 4 – SECTION 7 REGULATORY OVERSIGHT

A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the petitioners’ and respondents’ proposed consensus rule that existing Commission Rules for each utility and its parent holding company should continue to apply except to the extent they conflict with these Rules. In cases of a conflict, the Rules adopted today shall supersede prior Rules and guidelines. The Company is expected to adopt the provision that when more detailed but harmonious utility-specific holding company rules are adopted, both rules shall be abided by. Subtasks to be reviewed will include:

- VI.A. Compliance Plan
- VI.B. New Affiliate Compliance Plans
- VI.C. Affiliate Audit
- VI.D. Witness Availability

II. EVALUATIVE STANDARDS

- The Company shall file Compliance plans, updated annually, demonstrating to the Commission that there are adequate procedures in place, that will preclude the sharing of information with its affiliates that is prohibited by these rules.
- The Company shall immediately notify the Commission of the creation of any new affiliate, as well as posting notice on its electronic bulletin board.
- The Company shall file Compliance plans, annually, by advice letter to all parties of the proceeding where there is a change in the compliance plan.
- The Company shall file an advice letter with the Energy Division of the Commission no later than 60 days after the creation of the affiliate, to demonstrate how the utility will implement the rules with respect to the new affiliate.
- The Company shall have audits prepared by independent auditors that verify compliance with the rules set forth in Decision 97-12-088.
- The Company shall make available affiliate officers and employees to testify before the Commission, as necessary or required without subpoenas, consistent with the provisions of Public Utilities Code Section 314.

FINDINGS AND CONCLUSIONS

V-F1 HWT meets the standards for complying with the Commission’s rules for regulatory oversight.

Our interaction with HWT management, our review of the Compliance Plan and data requests as well as analysis of the plan, leads us to conclude that HWT meets the standards for complying with the Commission rules.



HWT's Compliance Plan conforms to the Commission's rules and regulations that it has adequate procedures in place to preclude sharing of prohibited information with its affiliates. We note that HWT has an exception approved in the CCN decision to Section V.C. to share certain computer systems, but they work with IT to ensure security separation. During 2020, HWT filed in a timely manner all requisite Advice Letters informing the Commission of the creation of all new affiliates.

The 2020 Compliance Plan is HWT's initial audit filed with the Commission, so Vantage notes it is performing its role as an independent auditor for the first time and there are no auditor recommendations from any prior HWT plans to review. Vantage was assured by regulatory staff that all appropriate personnel are aware of this requirement and would be available to testify.

V-F2 HWT plans to file an update of its compliance plan by June 30, 2021.

The plan Vantage is auditing, once completed, will be filed by HWT with the CPUC as required.



VI. TASK 5 – SECTION 8 - UTILITY PRODUCT AND SERVICES

Unless otherwise approved by the Commission, any sale of a product or service by HWT will be governed by a tariff approved by FERC or the CPUC. Products and services will be made available to any third-party entity on the same terms and conditions as HWT makes those products and services available to its affiliates. Currently, HWT does not offer any non-tariff products or services. If HWT considers offering a non-tariff product or service, it will file an advice letter with the Commission according to the requirements of Rule VII.E.

A. REQUIREMENTS AND EVALUATIVE STANDARDS

This task will review the Rules recognizing that all energy utilities and their affiliates should be on an equal footing with regard to entry into the unregulated market for energy products and services. The question of whether energy utilities should be required to conduct unregulated or potentially competitive activities through affiliate companies, and if so, under what rules and criteria should be addressed by the parties as they discuss utility/affiliate standards of conduct. The following subtasks will be reviewed:

- General Rules and Definition;
- Conditions precedent of offering new products and services;
- Requirements to file an advice letter;
- Existing offerings;
- Section 851 application;
- Periodic reporting of non-tariffed products and services;
- Offering of non-tariffed products and services to affiliates.

II. EVALUATIVE STANDARDS

- New products and services shall only be offered through the Company affiliates.
- The Company shall not offer for sale non-tariffed products and services with the following exceptions:
 - Existing products and services offered by the utility pursuant to tariff;
 - Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;
 - New products and services that are offered on a tariffed basis;
 - Products and services which are offered on a non-tariffed basis and which meet the following conditions:
 - The non-tariffed product or service utilizes a portion of a utility asset or capacity;
 - Such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;
 - The involved portion of such asset or capacity may be used to offer the product or service on a non-tariffed basis without adversely affecting the cost, quality, or reliability of tariffed utility products and service;

- The products and services can be marketed with minimal or no incremental capital, minimal or no new forms of liability or business risk being incurred by the utility, and minimal or no direct management control;
 - The utility offering is restricted to less than 1% of the number of customers in the customer base.
- The Company may offer new non-tariffed products and services only if the Commission has adopted and the utility established:
 - A mechanism or accounting standard for allocating costs to each product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a non-tariffed basis;
 - A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism;
 - Periodic reporting requirements regarding pertinent information related to non-tariffed products and services;
 - Periodic auditing of the costs allocated to and the revenues derived from non-tariffed products and services;
- The Company will file an advice letter prior to offering a new category of non-tariffed products or services;
- The Company must comply fully with the provisions of Public Utilities Code Section 851 when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered as part of a non-tariffed product or service offering by the utility;
- The Company may only offer non-tariffed products and services to utility affiliates if in compliance with the provisions of the Affiliate Rules;
- The Company shall file periodic reports to the Commission's Energy Division, twice annually, when offering non-tariffed products and services.

FINDINGS AND CONCLUSIONS

VI-F1 HWT obtains certain support services from affiliates.

Details of support services from affiliates is included in Corporate Service agreements and Commission Decisions. HWT has received an exemption (See CPUC Decision 20-02-048). Details on support services are included in:

- HWT's Affiliate Agreements list the following agreements for services:
- Corporate Support Services,
- Resources and Operations and Maintenance Services Agreement dated October 30, 2020 with Trans Bay Cable LLC, NextEra Energy Resources, LLC, NextEra Energy Transmission, LLC, Florida Power & Light Company, Lone Star Transmission, LLC and Horizon West Transmission, LLC.

VII. TASK 6 – SECTION 9 COMPLAINT PROCEDURES AND REMEDIES

Any employee participating in any activity or transaction within the scope of the HWT Compliance Plan is responsible for full compliance with all of the rules, requirements, policies, procedures, and the spirit of compliance. Failure to comply could expose NextEra or HWT to serious financial and/or legal risk and in certain cases may be grounds for disciplinary action up to and including termination of employment or, if applicable, criminal prosecution. The Commission strictly enforces these rules and each act or failure to act by HWT in violation of these rules may be considered a separate occurrence.

Any person or corporation may complain to the Commission or to HWT in writing, identifying a possible violation by HWT, any utility or affiliate of any rule set forth in this Compliance Plan.

II. EVALUATIVE STANDARDS

- There should be a clear understanding of exactly which rules the Company must develop a compliance standard for.
- The Company must have well written descriptions of how it will comply with the portions of this rule they need to be prepared for.

A. REQUIREMENTS AND EVALUATIVE STANDARDS

FINDINGS AND CONCLUSIONS

VII-F1 HWT's compliance plan provides details on exactly for which rules the Company must develop a compliance standard.

VII-F2 HWT's compliance plan provides details on how it complies with requirement for complaint procedures and remedies.



APPENDIX A – DEFINITIONS

- a. Affiliate – Any person, corporation, utility, partnership, company, or other entity of which five percent or more of its outstanding securities is owned, controlled, or held with power to vote, directly or indirectly, either by HWT or any of its subsidiaries, or by HWT’s controlling corporation and/or any of its subsidiaries, as well as any company in which HWT, its controlling corporation, or any of HWT’s affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership.

For purposes of these Rules, “substantial control” includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity’s company creates a rebuttable presumption of control.

For purposes of these Rules, “affiliate” shall include the utility’s parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II.B.

- b. CAISO – The California Independent System Operator Corporation.
- c. Commission – The California Public Utilities Commission or its succeeding state regulatory body.
- d. Compliance and Responsibility Organization (“CRO”) – The group in NextEra headed by the Vice President of Compliance & Corporate Secretary who, for purposes of this Compliance Plan, is the Chief Compliance Officer (“CCO”) responsible for providing guidance on compliance and monitoring compliance with the Rules.
- e. Confidential or non-public information – Any TBC information not intended for public disclosure and considered to be confidential or proprietary by persons privy to such information.
- f. Corporate support services – Services shared by TBC and its affiliates for joint corporate oversight, governance, support systems and personnel.
- g. Customer – Any person or corporation, as defined in Sections 204, 205, and 206 of the California Public Utilities Code (“PU Code”), that is the ultimate consumer of goods and services.
- h. Customer information – Non-public information and data specific to a utility customer, which the utility acquired or developed in the course of its provision of utility services. Trans Bay Cable LLC Affiliate Transaction Rules Compliance Plan June 15, 2020 4

- i. Energy marketing affiliate – A TBC affiliate that markets electricity and natural gas in the United States and Canada.
- j. FERC – The Federal Energy Regulatory Commission.
- k. General Counsel – The NextEra General Counsel Business Unit.
- l. HWT – Horizon West Transmission, LLC, a regulated utility affiliate of TBC that is based in San Francisco, California and provides wholesale transmission service within the CAISO region.
- m. Lone Star Transmission – Lone Star Transmission, LLC, a regulated utility affiliate of TBC that is based in Austin, Texas and provides wholesale transmission service within the Electric Reliability Council of Texas (“ERCOT”) region.
- n. NextEra – NextEra Energy, Inc. or its subsidiaries.
- o. NEER – NextEra Energy Resources, LLC, a subsidiary of NextEra that, through its subsidiaries, develops, owns, and operates energy projects that provide wholesale and retail electricity, as well as energy products and services.
- p. NEET – NextEra Energy Transmission, LLC, the direct, upstream parent company of TBC.
- q. PU Code – The California Public Utilities Code.
- r. Rules – The Commission’s Affiliate Transaction Rules, as adopted in D.97-12-088 and modified by D.98-08-035.
- s. Rule II.B. affiliate – An affiliate of TBC that engages in the provision of a product that uses electricity or the provision of services that relate to the use of electricity within California.
- t. Tariff – TBC’s currently effective Transmission Owner Tariff, approved by FERC.
- u. Traditional utility merchant function – To the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission or distribution services, it is engaging in merchant functions. TBC does not engage in a traditional utility merchant function.

APPENDIX B – LIST OF AFFILIATES -DECEMBER 11, 2020

- Florida Power & Light Company
- Lone Star Transmission, LLC
- NextEra Energy Capital Holdings, Inc.
- NextEra Energy, Inc.
- NextEra Energy Project Management, LLC
- NextEra Energy Resources, LLC
- NextEra Energy Transmission, LLC
- Trans Bay Cable LLC

Rule II.B. Affiliates within California

- Adelanto Solar II, LLC
- Adelanto Solar, LLC
- Altamont Power LLC
- Aries Solar Holding, LLC
- Arlington Energy Center I, LLC
- Arlington Energy Center II, LLC
- Arlington Energy Center III, LLC
- Arlington Solar, LLC
- Beltran Solar, LLC
- Blythe Energy Storage II, LLC
- Blythe Energy Storage III, LLC
- Blythe Energy Storage 110, LLC
- Blythe Solar 110, LLC
- Blythe Solar II, LLC
- Blythe Solar III, LLC
- Blythe Solar IV, LLC
- CA BTM Energy Storage, LLC
- CA Energy Storage Holdings, LLC
- CalCity Solar I LLC
- Corby Energy Storage, LLC
- Crow Creek Solar, LLC
- Desert Peak Energy Center, LLC
- Desert Peak Energy Storage I, LLC
- Desert Peak Energy Storage II, LLC
- Desert Peak Energy Storage III, LLC
- Desert Sunlight 250, LLC
- Desert Sunlight 300, LLC
- Desert Sunlight Holdings, LLC
- DG Amaze, LLC

- DG California Solar, LLC
- DG Harvest Solar, LLC
- DG NF West 1, LLC
- DG Walnut Creek, LLC
- DG West 1, LLC
- Distributed Energy Storage Associates, LLC
- Eagle Crest Energy Company
- eIQ Mobility, Inc.
- Ellwood Energy Center, LLC
- ESI Altamont Acquisitions, Inc.
- ESI Bay Area GP, Inc.
- ESI Bay Area, Inc.
- ESI California Holdings, Inc.
- FPL Energy Green Power Wind, LLC
- FPL Energy Montezuma Wind, LLC
- FPL Energy Services, Inc.
- FPL Smart Services, LLC
- Genesis Solar, LLC
- Gexa Energy California, LLC
- Gexa Energy Solutions, LLC
- Golden Hills Energy Storage, LLC
- Golden Hills Interconnection, LLC
- Golden Hills North Wind, LLC
- Golden Hills Wind, LLC
- Goleta Grove Energy Storage, LLC
- Green Ridge Power LLC
- Green Ridge Services LLC
- GSA Solar, LLC
- HL Solar LLC
- Kepler Energy Storage, LLC
- Kola Energy Storage, LLC
- Lucerne Solar, LLC
- Luz Solar Partners Ltd., III
- Luz Solar Partners Ltd., IV
- Luz Solar Partners Ltd., V
- Luz Solar Partners Ltd., VI
- Luz Solar Partners Ltd.,
- Mars Energy Storage 1 LLC
- Mars Energy Storage 2 LLC
- Mars Energy Storage 3 LLC

- Mars Energy Storage 4 LLC
- McCoy Energy Storage, LLC
- McCoy Solar, LLC
- Mesaville Solar, LLC
- NEPM II, LLC
- NextEra Blythe Solar Energy Center, LLC
- NextEra Desert Center Blythe, LLC
- NextEra Desert Sunlight Holdings, LLC
- NextEra Energy Marketing, LLC
- NextEra Energy Montezuma II Wind, LLC
- NextEra Energy Resources Interconnection Holdings, LLC
- North Central Valley Energy Storage, LLC
- North Sky River Energy, LLC
- Orange County Distributed Energy Storage I, LLC
- Orange County Distributed Energy Storage II, LLC
- Ord Mountain Solar, LLC
- Proxima Solar, LLC
- SCP 5 LLC
- SCP 7 LLC
- SCP 35 LLC
- Shafter Solar, LLC
- Sighthen, Inc.
- Sirius Solar, LLC
- Sky River LLC
- Sky River Wind, LLC
- Solar Star Palo Alto I, LLC
- South Lake Solar, LLC
- UniEnergy Properties II, LLC
- Valencia Energy Storage, LLC
- Vasco Winds, LLC
- Westside Solar, LLC
- Whitney Point Solar, LLC
- WindCo LLC
- Windpower Partners 1990, L.P.
- Windpower Partners 1991, L.P.
- Windpower Partners 1991-2, L.P.
- Windpower Partners 1992, L.P.
- Windpower Partners 1993, LLC
- Yellow Pine Energy Center I, LLC
- Yellow Pine Energy Center II, LLC

- Yellow Pine Energy Center III, LLC
- ZNE Energy Storage, LLC



APPENDIX C – LIST OF SHARED CORP. OFFICER /DIRECTORS

Officers Shared by Horizon West Transmission, LLC and NextEra Energy, Inc.

Affiliates

<u>Name</u>	<u>Title</u>
Eric S. Gleason	Executive Manager and President
Mitchell S. Ross	Executive Manager
Mark R. Sorensen	Executive Manager
Kathy A. Beilhart	Vice President & Treasurer
Vincent J. Scrima	Vice President
W. Scott Seeley	Vice President & Secretary
Sharon Sartor	Assistant Secretary